

Financial Statements

June 30, 2021 with summarized
comparative totals for 2020

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To the Board of Directors
Reading Partners

We have audited the accompanying financial statements of Reading Partners (the "Organization"), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Reading Partners as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

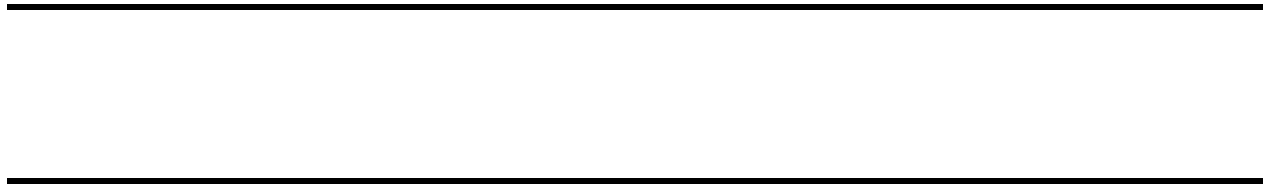
We have previously audited the Reading Partners 2020 financial statements, and we expressed an unmodified opinion on those financial statements in our report dated October 22, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is



| | Without Donor Restrictions | With Donor Restrictions | Total | Total |
|--|-------------------------------|----------------------------|--------------|--------------|
| Support | | | | |
| Foundation grants | \$ 5,649,846 | \$ 2,739,375 | \$ 8,389,221 | \$ 9,266,256 |
| Government contracts and grants | 7,374,776 | 30,875 | 7,405,651 | 6,446,891 |
| Individual gifts | 3,290,454 | 226,184 | 3,516,638 | 3,427,374 |
| Corporate contributions | 2,617,799 | 1,930,000 | 4,547,799 | 1,658,791 |
| Special event income - net of costs of direct benefit to donors of \$85,874 | 502,643 | - | 502,643 | 265,856 |
| Contributions in-kind | 1,260,693 | - | 1,260,693 | 3,440,585 |
| Total support | 20,696,211 | 4,926,434 | 25,622,645 | 24,505,753 |
| Revenue | | | | |
| Tutoring service fees | 2,928,083 | - | 2,928,083 | 3,752,367 |
| Loan forgiveness income | 3,070,000 | - | 3,070,000 | - |
| Other income | 320,249 | - | 320,249 | 356,742 |
| Total revenue | 6,318,332 | - | 6,318,332 | 4,109,109 |
| Total support and revenue | 27,014,543 | 4,926,434 | 31,940,977 | 28,614,862 |
| Net assets released from restrictions | 0 | 0 | 0 | 0 |

Salaries and related expenses:

| | | | | | |
|---|---------------|--------------|--------------|---------------|---------------|
| Salaries and wages | \$ 15,074,589 | \$ 1,157,589 | \$ 2,144,157 | \$ 18,376,335 | \$ 19,543,817 |
| Employee benefits | 2,089,758 | 269,604 | 353,559 | 2,712,921 | 2,893,657 |
| Payroll taxes | 1,150,165 | 87,920 | 157,716 | 1,395,801 | 1,447,266 |
| Total salaries and related expenses | 18,314,512 | 1,515,113 | 2,655,432 | 22,485,057 | 23,884,740 |
| Occupancy | 869,603 | 462,187 | 155,682 | 1,487,472 | 1,661,166 |
| In-kind rent, services, and goods | 1,331,193 | - | - | 1,331,193 | 3,509,075 |
| Consultants and professional services | 340,662 | 155,991 | 56,434 | 553,087 | 777,488 |
| Membership, dues, and subscription | 355,685 | 113,348 | 41,238 | 510,271 | 458,851 |
| Books and supplies | 443,668 | 30,114 | 20,493 | 494,275 | 524,909 |
| Professional development | 78,713 | 41,787 | 2,841 | 123,341 | 78,547 |
| Travel | 13,607 | 1,452 | 3,604 | 18,663 | 183,016 |
| Other | 737,223 | 123,850 | 110,992 | 972,065 | 1,240,311 |
| Total expenses before depreciation | 22,484,866 | 2,443,842 | 3,046,716 | 27,975,424 | 32,318,103 |
| Depreciation | 54,463 | 4,911 | 1,364 | 60,738 | 99,703 |
| Total expenses by function | 22,539,329 | 2,448,753 | 3,048,080 | 28,036,162 | 32,417,806 |
| Less expenses netted against special event income on the statement of | | | | | |



(continued)

One-on-One Reading Program (continued)

In each school with which we partner, Reading Partners transforms a dedicated space into a reading center and recruits at least 50 volunteer tutors to serve 40 or more students. N

(continued)

Cash and Cash Equivalents

The Organization has defined cash and cash equivalents as cash in bank, petty cash on hand, and funds held in a money market account.

Receivables

Accounts, Government Contracts and Grants

The accounts, government contracts and grants receivable consist of amounts due from government agencies under various cost-reimbursement and fee for service agreements. The Organization provides for an allowance for doubtful accounts based on historical collectability and other factors known to management. At June 30, 2021, management believed accounts, government contracts, and grants receivable to be fully collectable, and no allowance was provided.

Pledges

(continued)

Revenue Recognition (continued)

Tutoring Service Fees (continued)

Tutoring service fees revenue consists of contracts that the Organization enters into with various schools to operate a tutoring program for students.

(continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Functional Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Management's estimate of the indirect salary expense allocation is based on estimated time spent by

(continued)

On August 18, 2016, FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, which replaces

Pledges receivable at June 30, 2021, consisted of the following:

| | | |
|--|----|-----------------------|
| Total pledges receivable | \$ | 4,549,699 |
| Present value discount | | <u>(1,283)</u> |
| | | 4,548,416 |
| Less: current portion | | <u>(4,179,699)</u> |
| Total pledges receivable - long-term - net | \$ | <u><u>368,717</u></u> |

Pledges receivable are expected to be collected as follows:

The Organization has a \$4,000,000 line of credit with Union Bank of California that matures on January 30, 2022. The line of credit bears interest at the Wall Street Journal prime rate plus 0.5% per annum (3.75% at June 30, 2021). The line of credit agreement contains financial covenants that require, among other matters, that the Organization maintain a minimum current ratio and total net assets. At June 30, 2021, there was no outstanding balance on the line of credit. For the year ended June 30, 2021, interest expense amounted to \$6,375.

In May 2020, the Organization received loan proceeds in the amount of \$3,070,000 under the Paycheck Protection Program ("PPP") which was established as part of the Coronavirus Aid, Relief and Economic Security ("CARES") Act and is administered through the Small Business Administration ("SBA"). The PPP provides loans to qualifying businesses in amounts up to 2.5 times their average monthly payroll expenses and was designed to provide a direct financial incentive for qualifying businesses to keep their workforce

(continued)

Annual maturities of the note payable are as follows:

| <u>Year ending June 30,</u> | |
|-----------------------------|---------------------|
| 2022 | \$ 509,947 |
| 2023 | 515,070 |
| 2024 | 520,244 |
| 2025 | <u>393,611</u> |
| | <u>\$ 1,938,872</u> |

The Organization's net assets with donor restrictions as of June 30, 2021 consisted of the following:

| | |
|---|---------------------|
| Purpose restricted | \$ 4,974,745 |
| Purpose and time restricted | <u>1,395,000</u> |
| Total net assets with donor restrictions | <u>\$ 6,369,745</u> |
| | |
| Time restriction accomplished | <u>\$ 5,822,367</u> |
| Total net assets released from restrictions | <u>\$ 5,822,367</u> |

Net assets were released from restrictions during the year by incurring expenses satisfying the restricted purpose or by the expiration of time as follows:

| | |
|---|---------------------|
| Time restriction accomplished | <u>\$ 5,822,367</u> |
| Total net assets released from restrictions | <u>\$ 5,822,367</u> |

The fair value of donated books, services, supplies, and facilities are recorded as contributions. During the

The Organization sponsors a defined contribution plan for eligible employees under Section 403(b) of the Internal Revenue Code (IRC)
